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FISCAL IMPACT STATEMENT

LS 7429

BILL NUMBER: HB 1547

NOTE PREPARED: Jan 15, 2007

BILL AMENDED:

SUBJECT: Health Care Certificate of Need.

FIRST AUTHOR: Rep. Foley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes a Certificate of Need Committee. It requires the Committee to review Certificate of Need (CON) applications for hospitals, ambulatory surgical centers, and comprehensive care beds. The bill allows the Indiana State Department of Health (ISDH) to establish fees for Certificate of Need applications. The bill also requires the Committee to submit an annual report to the Health Finance Commission.

Effective Date: Upon passage; July 1, 2007.

Explanation of State Expenditures: The bill establishes the 11-member Certificate of Need Committee consisting of 9 lay members and 2 state employees. The expenses of the Committee are to be paid by the Indiana State Department of Health. The expenses of the Committee will be dependent upon the number of meetings, the travel expenses, and the \$50 per diem for the individuals appointed. As a point of reference, a 2006 Legislative Council resolution established the budget for interim study committees at \$9,500 for committees with fewer than 16 members.

The ISDH is charged with providing staff for the Committee. The level of resources and staffing for the CON review provisions in the bill are indeterminate at this time. However, the state of Michigan operates an ongoing CON program. While the Michigan program appears to require a broader scope of review and the state is larger than Indiana (by approximately 57%), the staffing levels and budgeted expenditures may be indicative of the resources necessary to operate a program. In FY 2005, the Michigan program had total expenditures of \$1.29 M, 100% of which was funded with fees charged for applications and reviews in FY 2005. In previous years, funding shortfalls were paid from the state General Fund. The bill requires the ISDH to establish fees at a level to cover the expenses of the program. The implementation of the program will

require some level of expenditures prior to any applications with accompanying fees being submitted to the Committee for review. Some level of funding from other sources will be required to provide for the start-up costs of the program.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. In FY 2006, the Department of Health administration account reverted \$2,912,557 to the General Fund. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Appropriation Background: The ISDH administrative appropriations were made from the dedicated Tobacco Master Settlement Agreement Fund for FY 2006 and FY 2007. Revenues from fees and penalties collected by the ISDH are deposited in the state General Fund with augmentation allowed in amounts not to exceed the additional revenue from fees or penalties received after July 1, 2003. The funding source of the FY 2008 and FY 2009 ISDH administrative appropriations will be determined by the General Assembly.

Explanation of State Revenues: The bill requires the Department of Health to establish fees for the filing of a CON application and for the review of the application. The fees must be set at a level sufficient to cover the cost of administering the program. The amount of the fees would be dependent upon the number of applications the ISDH might expect to receive and the anticipated cost of administering the program. While fee income is indeterminate at this time, as of December 29, 2004, the Michigan Certificate of Need application fees are:

\$1,500 for projects costing up to \$500,000;
\$5,500 for projects costing from \$500,001 up to \$4 M; and
\$8,500 for projects costing more than \$4 M.

In Michigan, the fee revenue raised was \$1.33 M in FY 2005. This was more than 100% of the total program cost that year. Michigan's CON program requires the review of projects involving the acquisition or replacement of specialized medical technologies such as MRI, Lithotripsy, and cardiac catheterization services. This bill requires CON only for the replacement or addition of hospitals, outpatient surgical centers, or health facilities only, so fewer applications might be anticipated, requiring less administrative resources but potentially higher fees than those charged in Michigan.

Explanation of Local Expenditures: County-owned hospitals and health care facilities would be subject to the application fees required by this bill.

Explanation of Local Revenues:

State Agencies Affected: Indiana State Department of Health; Family and Social Services Administration.

Local Agencies Affected:

Information Sources: Indiana Legislative Council Resolution 06-02; "Certificate of Need Program, Annual Activity Report, October 2004 Through September 2005, (FY 2005)", Michigan Department of Community Health; "Evaluation of Certificate of Need in Michigan, Final Report," by Christopher J. Connover, Ph.D.

and Frank A. Sloan, Ph.D., Center for Health Policy, Law and Management, Terry Sanford Institute of Public Policy, Duke University, May 2003; Michigan Department of Community Health, Certificate of Need Application Process at www.michigan.gov/mdch/0,1607,7-132-2945_5106-5406-120981--,00.html .

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